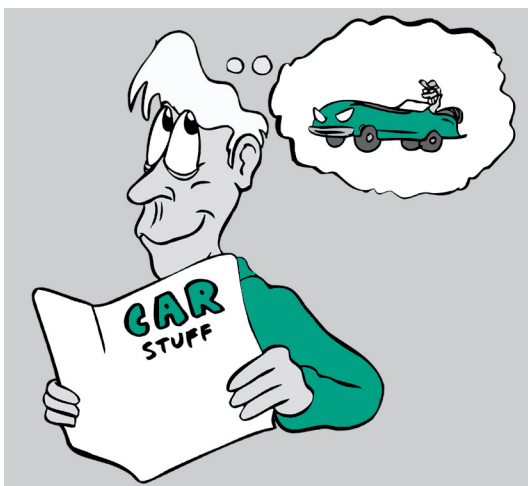


Autos

Buying and



Leasing CARS

Consumer Resource Center
Office of the Attorney General
Christine O. Gregoire

Table of Contents

Before You Buy	1
Determining Your Needs	1
Check out Warranties	1
Finding Out About Prices	2
 Buyers' Alert.....	 5
Myth:	5
Advertising.....	5
Common Tactics.....	5
High Pressure	6
"Packing" or "Loading"	
Automobile Payments	8
Changing the Terms of the Contract	
("Bushings")	11
Warranty Service.....	11
Motor Vehicle Lemon Law	12
 Shopping for a Vehicle	 12
Selecting a Dealer	12
Negotiating the Price	13
Negotiating Other Items	13
 The Contract	 16
Read and Understand Each	
Document Before You Sign!	16
Leave the Car 'til the Deal is Done!	16
 Buying a Used Vehicle	 17
Where to Buy	17
Beware of Curbstoners!	17
Information About the Vehicle	18
Contact Former Owner	18
Check Recalls.....	18
Verify Safety	19
Used Vehicle Warranties	19
"As Is"	22
Test Drive First	22

Check it Out With Your Mechanic	24
Buyer Beware – Get it in Writing!	24
Know Your Warranties	25
Vehicle Emission Inspection Law	26
Check Emissions!	27

Auto Leasing 27

Laws Regulating Leasing	28
Lease Advertising	28
Costs of Leasing	29
Know the Difference	29
How to Compare	30
Types of Leases	30
Purchase Option	31
Calculate your Costs	31
Lease Conditions	32
Payments	33
Know Your Costs	34
Negotiate!	34
Factory Rebates	34
Other Payments	35
Early Termination	35
Termination Costs	35
“Lease Options”	37
Beware of “Extras”	37
Insurance	37
Excise or Use Tax Exemption	38
Comparing Leases	38

For Further Information 40

Tips: Auto Leases 42

Tips: Buying a Car 43

COMPARISON WORKSHEET 46

Purchase	46
Lease	47

Before You Buy

Determining Your Needs

The first step in buying a vehicle is to determine your transportation needs. Look at the type of driving you do, the people and cargo you transport and how much you can budget for fuel. Next decide how much you can afford to spend. A loan officer at your bank or credit union may be able to help you determine how much you can afford to borrow, and provide valuable information on loan options, monthly payments and car buying tips. Comparison shopping for credit is important so that the vehicle meets your needs and also fits your budget. You can ask your loan officer for an amortization schedule and instructions, so you can accurately figure out monthly payments when negotiating with the dealer to buy a car. In addition to the purchase price and monthly payments, you should determine and take into account the costs for insurance, fuel, maintenance, tax and licensing.

Check out Warranties

Comparing new car warranties is something that should not be overlooked when selecting a vehicle. By law, the dealer must post signs that warranties are available for inspection or give you a copy **before sale** upon your request.

- **The warranty must clearly state who is covered by the warranty, what is covered, the name and address of the warrantor, who will perform warranty work, and the procedure for getting warranty work done.**

- **If you are looking for a vehicle for a certain purpose, such as towing a trailer, you should be aware of this state’s “Implied Warranty of Fitness for a Particular Purpose” (Chapter 62A.2-315 RCW). This law provides that when a dealer knows the vehicle is going to be used for a particular purpose and the buyer is relying on the dealer’s expertise to provide a suitable vehicle, a warranty is created that the vehicle will be fit for that purpose. It is recommended that you have the vehicle’s suitability for a particular purpose put in writing by the dealer. Example: “This vehicle is capable of pulling a trailer load of _____ lbs. gross weight/ tongue weight of _____ lbs. over Stevens Pass on Highway 2 in Winter and Summer driving conditions. The parties acknowledge that this is a material term and condition of this contract and seller expressly warrants that the vehicle, as equipped, has this capability.”**

Finding Out About Prices

New

You should get price information on various makes and models before you start looking for your new car. You can obtain information about how much it costs a dealer to buy a particular model and optional equipment. There are a number of publications and services offering this information, such as Consumer Reports Magazine and The Ultimate Car Book by Jack Gillis. Both are available through bookstores and your local library. Addition-

ally, several car pricing guides are also available on the internet: www.kbb.com, www.nada.com

Used

For pricing used cars, and especially for determining a reasonable value for your trade-in, consult the current Kelley Blue Book, or the Pacific Northwest Edition of the NADA Official Used Car Guide and local newspaper ads. The Blue Book and other price guides are available at your bank, credit union, local library or on the Internet (www.kbb.com, www.nada.com)

Leasing Vs. Purchasing

Leasing is very different from purchasing a vehicle. Leasing or purchasing will have different advantages that should be evaluated thoroughly and matched with your needs. Read the section on “Leasing” in this booklet, and consider consulting a financial advisor to assist in making the best decision for you.

Comparing Loans

Loans are available from several sources - credit unions, banks, savings and loan institutions, and dealers. When comparing loans, consider the following: interest rate (the annual percentage rate or “APR”); down payment; your approximate monthly payment; number of payments and total cost of the loan (a lender can make this calculation for you). The loan term can run one to seven years. Long term loans may not be a good idea if you plan to trade the car in after three or four years; at that point you may still owe more on the loan than the car is worth. You may wish to look at

a shorter term loan with higher payments to avoid a potential “negative equity” problem (where the loan balance is higher than the value of vehicle at time of resale).

Dealers often add interest (typically 1% to 3%) above what the bank is charging to compensate them for the service and convenience of arranging financing for you, and to make additional profit. This is called finance reserve profit or the yield spread premium (the difference between the “buy” rate at which that the bank will accept your credit application, and the “sell” rate, which is the rate passed on to you by the dealer). The law does not require that this additional cost of credit be separately disclosed, although a dealer can not misrepresent such rates as “the best available” or words to that effect. Know your financing alternatives before you make a commitment to a finance package. Negotiate your finance package separately from the purchase price of the vehicle. Having your financing pre-approved can also help you avoid impulse buying.

Buying Services

There are a number of auto advisory and buying services that can aid you in deciding on a make and model, and then negotiate for you. This can save a substantial amount of time and energy in the car-buying process. Before signing up with such a service, find out exactly what it will cost and what you get for your money. Do not give the money for the vehicle to the broker or buying service; money must be paid directly to the dealer that delivers the vehicle.

Buyers' Alert

Myth:

There is no three-day cooling off period in which you can return a car. Once you sign a contract, you are bound by its terms.

Advertising

Advertising can be helpful to consumers by being informative and as a timesaving tool. Advertisements can also be confusing and some are even deceptive.

Common Tactics

- **“Bait-and-switch”**- a very attractive deal on a car is advertised (the “bait”), but at the dealership the salesperson tries to sell a more expensive car (the “switch”).
- **“Special” or “Sale Price”** - references a former price when the car may never have actually been offered at the “former” price;
- **Above or Below Invoice** - “Invoice” price referred to in these offers may not really reflect what a dealer actually paid for the car. The invoice price may incorrectly include an amount that the manufacturer holds back and later returns to the dealer as profit. State law requires that advertised invoice prices be the actual cost of the vehicle to the dealer after all manufacturer holdbacks and incentives have been subtracted.

High Pressure

Holding keys - Salespeople will sometimes ask for the keys to your car “in order to evaluate it for trade-in purposes.” This is a reasonable request but you should insist that your keys be returned to you after the test drive. It is an unfair sales practice for a salesperson to keep your keys while using high-pressure sales tactics to get you to buy.

Cash deposits - If a salesperson asks for a cash deposit to show “that you are serious about buying,” you are under no obligation to provide such a deposit. You should be suspicious when asked to provide one. It is an unfair practice for a salesperson to take a cash deposit and then refuse to return it if you do not sign a contract.

Statements that do not bind you - If you are asked to sign a statement to the effect that you “agree to buy a car when terms can be agreed upon,” the salesperson may try to insist that, because you signed such a statement, you are legally bound to buy a car. That is not true. You should not sign such a statement in the first place: even if you do, it does not legally require you to buy a car. When negotiations break down, you are free to walk away. You are only bound to a contract after **all** the terms are put in writing and presented to you for review and signature, including the final sales agreement (or lease) and the financing documents. If a deal is contingent on finance “approval”, you are not bound to the contract to buy until the financing is approved and the dealer “accepts” your written offer, which they must do within three business days. If your financing falls through, the dealer must ‘unwind’ or cancel the first deal and you are free

to reclaim your down payment and trade in and walk away. Only after they unwind the first deal completely can the dealership attempt to renegotiate a new deal. Failure to accept or reject a deal within three days, or failure to unwind a rejected deal before attempting to renegotiate a new deal is called “bushing”, and is a violation of the Consumer Protection Act. See, RCW 46.70.180 (4).

Multiple Salespeople / Multiple Worksheets

- It is common for some salespeople to use forms called “worksheets” to negotiate terms with you. Neither you nor the dealership are bound by what is written on a worksheet. If you reach an agreement you must check it yourself to see that the terms on the worksheet appear accurately on the final contract terms. If you do not understand something written on a worksheet or anything in the final contract, ask for an explanation and be willing to walk away if you don’t get a satisfactory answer.

Take A Break!

- Don’t negotiate when you’re tired. Take a break.
- If salesperson changes, always confirm where negotiations left off with the last salesperson.
- Don’t let emotions cloud your judgment.
- Don’t feel pressured into signing something you don’t understand or don’t agree with.

Remember . . . there are lots of vehicles from which to choose!

“Packing” or “Loading” Automobile Payments

‘Packing’ or ‘loading’ payments is a slang term used to describe a practice promoted by the credit insurance business and used by the auto industry to get customers to agree to purchase additional products, such as credit insurance, service contracts, chemical protectants, and security devices, without revealing their true impact on their monthly payments.

‘Packing’ is played out when a customer finances their vehicle through the dealer. It goes like this — a customer agrees to a purchase price and the dealer quotes a monthly payment approximately \$20 to \$40 higher than what is needed to cover the price of the vehicle. That creates a “pack” or room in the payment to add in the optional products later in the transaction. Dealership personnel are trained to suggest to customers during the negotiations that the optional products are included “free” or at reduced cost.

Because the monthly payment doesn’t increase, and because the customer believes the products are “free” or discounted, most people don’t object when the products are included in the final contract. The same result can be achieved by quoting payments at a short term, say 48 months, then rolling the term out to 60 months, or longer, to accommodate the cost of extra products and services while keeping the payment the same.

Automobile dealers who use “packed” or “loaded” payment quotes try to conceal their actions, so you may not realize immediately that you are being misled. REMEMBER THAT PACKING OCCURS WHEN

YOU FINANCE THROUGH THE DEALER.

WATCH OUT if a dealer seems overly concerned with keeping your focus on the size of the payment, which doesn't seem to change during your negotiations.

LISTEN FOR KEY WORDS including "Protected payment" or "It's included!" or "It's provided at no extra charge!" or "Your payment is insured, it won't change!"

BEWARE when additional products or services are added at "no extra cost."

COMPARISON SHOP for interest rates and financing terms.

CHECK FINANCE TERMS with your bank or credit union before signing up for dealer financing. Dealer financing may be more convenient, but interest rates may also be higher than those charged directly by banks.

CONSULT AN AMORTIZATION SCHEDULE. Make sure payments quoted aren't higher than what is needed to cover the purchase price of the vehicle and products you have agreed to buy. Amortization schedules can often be found at your own financial institution, and many business and student calculators can easily calculate amortization formulas if you have the amount financed, term (number of payments) and rate of interest.

NEGOTIATE ON PRICE, TRADE-IN VALUE and INTEREST RATE. Don't let the negotiations focus solely on the monthly payment.

REQUEST THAT ALL PAYMENT QUOTES BE DISCLOSED with interest rate and term (number of months) and the specific products and services that payment covers.

CHECK PURCHASE AGREEMENT AND LOAN DOCUMENTS carefully to make sure only the products you have agreed to buy are included.

CONFIRM THE PRICE OF ALL PRODUCTS included in your sales contract and loan agreements.

ASK WHAT YOUR MONTHLY PAYMENT WOULD BE if optional products are removed from the contract.

REMEMBER EVERYTHING IS NEGOTIABLE in a vehicle deal and nothing is “free.”

YOU ARE NOT REQUIRED TO BUY EXTRA PRODUCTS AND SERVICES, including service contracts or credit insurance, as a condition of being approved for credit. If you are told that you must purchase more than the car itself to be approved for credit, ask the dealer to put it in writing on your purchase agreement and retail installment credit contract or verify that requirement through the lending company before signing the contract. In most cases this will result in eliminating the “need” for you to purchase unwanted additional products. If you have already bought unwanted products believing that they were required, cancel them for a credit to the amount owed on the loan. This will result in a reduction of the number of payments you must make to own the car.

THERE IS NO THREE-DAY RIGHT TO CANCEL A CAR PURCHASE OR LEASE. If you sign the contract, you are legally bound by its terms.

Changing the Terms of the Contract (“Bushing”)

After a deal is agreed upon and the contract signed, if you are contacted by the dealer saying they now need a larger down payment or higher monthly payments, you are not required to accept these new terms. By law, the dealer has 3 working days from the time of purchase/lease (excluding weekends and holidays) to find financing and finalize the sale according to the terms of the contract. When the dealer fails to locate the financing specified in the contract in that time period, **there is no binding contract** and the dealer must offer to return your voided contract documents, down payment and trade-in vehicle **before** attempting to negotiate a new agreement with you.

If you have taken possession of the car, you must promptly return it when notified that the transaction cannot be completed within the 3 working-days period.

Warranty Service

If your new or used car is covered by a manufacturer’s warranty and you have a problem which falls under the warranty, the authorized service department in the dealership is obligated to perform repairs required by the warranty. A dealer may not refuse warranty service in order to avoid liability under Washington’s “Lemon Law”.

For more information, call the
Lemon Law program at
1-(800) 541-8898

Motor Vehicle Lemon Law

If your vehicle is less than two-and-a-half years old and has been repaired under the manufacturer's warranty several times but still has a substantial problem or has been out of service for more than 30 days due to diagnosis and/or repair, the vehicle may be a "lemon."

You should contact the Motor Vehicle Lemon Law program at the Attorney General's Office for further information.

You may be eligible for arbitration under the state administered program which was created to decide warranty disputes between consumers and manufacturers. If the vehicle is determined to meet the elements of the Lemon Law, the manufacturer can be required to replace or repurchase the defective vehicle.

Shopping for a Vehicle

Selecting a Dealer

In addition to TV and newspaper ads, ask friends and relatives about their car-buying experiences to get personal referrals. Other sources of information about dealerships are:

- The Better Business Bureau (What is the dealer's complaint handling record?);
- The Attorney General's Office (Has the dealer been the subject of law enforcement action?);
- Dealer Division of the Department of Licensing (Is the dealer licensed? What is the status of the dealer's bond?).

If you're considering an out-of-state dealer, remember that vehicles purchased outside the state will not qualify for Washington's New Motor Vehicle Lemon Law and may not be covered by the other states' Lemon Laws either.

Negotiating the Price

When buying or leasing a car, prices and financing terms are negotiable in most instances. Recently the concept of no-negotiation pricing is being used at some dealerships. When a model is in high demand and short supply, negotiating price may be difficult. Even in cases where the price of the vehicle may not be negotiable, the financing or lease terms, your trade-in value and the price of some extra products or services offered by the dealership remain negotiable.

- Be prepared. Know the price, financing and approximate trade-in value in advance.
- Be willing to walk if the dealer rejects what you consider is a reasonable offer.
- Check with more than one dealer.

Negotiating Other Items

While you will probably negotiate on the price of the car, you may also need to negotiate other aspects of the transaction:

Financing Terms - compare your financing alternatives (bank or credit union) prior to purchase.

Trade-in Value - If you decide to trade in your car rather than sell it yourself, you should know the value of the trade-in before you go to the dealership. You can consult a Kelley Blue Book or NADA Used Car Guide or other automotive information resources (for example: Internet websites: www.kbb.com, www.nada.com) for that information based on condition, mileage and regional market. The value of your trade-in should be negotiated as if it is a separate transaction from the vehicle price; negotiating both simultaneously may cause you to lose focus on the bottom line. Sales tax is **not** collected on the portion of the purchase price equivalent to the amount given for your trade-in.

When trading in a vehicle you must reveal to the dealer any “brand” which appears on the title, such as “rebuilt”, “salvage”, or “non-conformity” involving a vehicle which the manufacturer was required to repurchase under the “Lemon Law” Chapter 19.118 RCW. If you don’t disclose the “branded” title, the dealer can come back to you when the “brand” is discovered, and attempt to renegotiate the trade-in value.

Service Contracts - Many dealers offer service contracts or extended warranties, under which the dealer or another company agrees to pay for future repairs to the car. Be aware that you can negotiate this cost, because service contracts seldom have to be sold at a set price. If the dealer sells you a service contract, or expressly warrants the vehicle, they may not disclaim the implied warranty of merchantability. Consumers can check on “approved” service contracts with the Office of the Insurance Commissioner directly or through their

web site [www.insurance.wa.gov] regarding service contract companies or other insurance products.

Options - Options and add-ons sold by the dealership are usually negotiable. These may also be available from other suppliers. After-market items such as spoilers, floor mats, and tinting, may be available from independent suppliers at competitive prices.

Vehicle Protection - This includes such items as paint sealant, undercoating, and upholstery stain proofing. You should find out what factory-installed protection and warranty coverage already is included in the price of the vehicle before you decide whether these kinds of options are needed. Some things like fabric protector and paint sealant and protectors can be purchased from your local auto supply store and applied yourself for a fraction of the cost.

Credit Insurance - Not to be mistaken for auto accident/liability insurance, credit insurance policies pay your loan obligation if you die or are disabled. You are not required to purchase credit insurance to obtain financing. You may want to consult an insurance agent before deciding to purchase this kind of insurance. The premiums are regulated by the Insurance Commissioner and are not negotiable but you can comparison shop for a lower premium.

The Contract

Read and Understand Each Document Before You Sign!

- You should always get a copy of each document you sign for your records!
- Get all verbal promises and representations in writing! Oral promises are hard to enforce. Once you sign a contract you are bound by the terms of that contract. **You do not have a three-day right of cancellation on vehicle purchases or lease contracts.**
- Do not sign the contract unless you have read and understand all of its terms and all agreements and promises have been put in writing.
- Never sign a contract with spaces left blank. Mark them out or fill them in appropriately.
- By law, before you sign a contract, the dealer must separately disclose in writing the finance charge, insurance costs, taxes and other charges you are to pay under the contract. If any of these terms differ from those you negotiated, insist that they be corrected before signing.

Leave the Car 'til the Deal is Done!

If your contract states it is “subject to financing” or some other contingency, it is not ad-

visible to take the vehicle home until financing arrangements have been completed or the contingency is met. By law, the dealer has 3 working days from the time of purchase (excluding Saturdays, Sundays, and holidays) to find financing or resolve the contingency and finalize the sale. If that is not done, there is no binding contract and the dealer must reject your offer, and ‘unwind’ the deal by offering to return your contract documents, down payment and trade-in vehicle before attempting to negotiate a new agreement with you. If you have taken possession of the car, you must promptly return it.

Buying a Used Vehicle

Where to Buy

Beware of Curbstoners!

Be aware that unlicensed dealers known as “curbstoners” also advertise in the classifieds (anyone who sells five or more vehicles in a 12-month period must obtain a dealer’s license - RCW 46.70.021).

Curbstoners do not comply with state or federal laws and you have less protection in your dealings with them. If you respond to a classified ad and the seller has several cars for sale but does not have a car lot or showroom, you may be dealing with a curbstoner. Buying from a curbstoner increases your risks of not being able to get the vehicle title transferred, of getting a car which has been wrecked and rebuilt, or which has a “rolled-back” odometer.

Used vehicles can be purchased at places other than dealerships. Private sellers, for example, often advertise in the classified sections of

newspapers. In the case of legitimate private (non-dealer) sales, you should put the purchase and sale agreement in writing. It should include a description of the vehicle, the price, a statement that the seller has clear title to the vehicle and all other representations and promises, if any.

No matter whom you buy from, insist on a thorough test drive and independent mechanical inspection before you negotiate the price and other terms.

Information About the Vehicle

By law, the dealer is required upon request to either display or, upon request, disclose in writing a used vehicle's asking price (RCW 46.70.125). The dealer must also provide the name and address of the former registered owner to a prospective buyer upon request if that owner was a business or government entity (RCW 46.70.180(6)).

Contact Former Owner

By contacting the former owner before you agree to buy, you may be able to find out a more comprehensive history of the vehicle that could influence your decision whether to buy and how much to pay. You would want to ask about repairs, maintenance, any accident damage, and confirm the mileage. You should get material representations as to the vehicle's history and condition in writing.

Check Recalls

You can also contact the National Highway Traffic Safety Administration (part of the federal Department of Transportation) at 1-800-

424-9393, (www.nhtsa.dot.gov) to find out if a specific make and model of used car was ever recalled by the manufacturer. Each used vehicle offered by a dealer, by law must have a Federal Trade Commission Buyer's Guide posted in its window that gives information about the vehicle's warranty status as offered by the dealer.

Verify Safety

It is a violation of dealer licensing regulations for a dealer to sell an unsafe car for operation on the public highways (RCW 46.70.101(1)(b)(viii)). This means that the car must at least have working steering, headlights, taillights, brake lights, turn signals, brakes, wipers, an undamaged (no cracks) windshield, seatbelts and tires with a minimum tread of 2/32 of an inch. Because it is also illegal to operate an unsafe motor vehicle on public roads and highways, liability for unsafe equipment is the responsibility of the owner and driver of an unsafe vehicle.

Prior to agreeing to buy a vehicle that meets your needs, take the used vehicle to a mechanic you trust to have the engine, other mechanical parts and safety equipment inspected and tested. When a dealer or private party is reluctant or refuses to allow an independent inspection of the vehicle, you should seriously reconsider whether this is the car or truck for you.

Used Vehicle Warranties

Dealer's Warranty - A dealer may provide you with a limited warranty that would pay all or a portion of the repair costs for covered

components during the warranty period (typically 90 days or less). Be sure you understand the coverage and exclusions. You should insist that the dealer put all promises and representations as to quality and warranty in writing.

Extended Service Contracts - You may be encouraged by the dealer to buy an extended service contract for the vehicle (though not as a condition of credit approval). If you purchase an extended service contract, the dealer is not allowed to disclaim the Implied Warranty of Merchantability; that is, the vehicle cannot be sold “as is” (see the notice requirements in RCW 48.96.045(4)).

Before you visit a dealership, you should find out what service contracts are generally available in your area and compare the extent of coverage and the maintenance requirements to keep the policy in force.

You may request copies of various contracts offered by the dealership before you buy. You may cancel any extended service contract within 30 days of purchase if you have made no claims under the contract (no penalty can be assessed if you cancel within 10 days; see RCW 48.96.047.)

By law, extended service contracts offered by a company must be backed by an authorized insurance policy. The name and address of the insurance company, the policy number and how to file a claim under the service contract must be clearly stated on the contract. When deciding on a service contract, examine the contract itself rather than making up your mind on the basis of a brochure or a salesperson’s statements. Check for overlapping or duplicate coverage in the service contract that you

may already have under any remaining manufacturer's warranty. You should consider whether saving the price of the service contract and "insuring" yourself would be more cost effective.

Implied Warranty of Merchantability - Every vehicle sold in Washington by a dealer has an "implied" warranty that the vehicle will be fit for ordinary driving purposes. That means the vehicle must be free of major defects, reasonably safe, and of the average quality of similar vehicles available for sale in that price range.

The duration and extent of coverage is conditioned on the age, mileage and price of the vehicle as well as the nature and timing of the problem.

Many, if not most, used vehicles are **offered** by dealers "as is". Only, after explicit negotiation resulting in a knowing and voluntary waiver, can you give up your implied warranty of merchantability. Nothing in any law requires you to sign a waiver of your implied warranty rights under any circumstances unless you agree to it knowing that it means you are responsible for the costs of repair of the vehicle if it turns out to be defective.

You **may** negotiate an agreement with the dealer to waive the implied warranty only if:

- (1) There is explicit discussion of warranty terms;
- (2) You are accurately informed of the consequences of purchasing the vehicle "as is" (i.e. and you are made aware of the particular qualities and characteristics of the vehicle that will not be covered);

(3) You do not purchase an extended service contract; and finally,

(4) You knowingly and voluntarily assume all risk for costs of repairs due to defects in the vehicle. (There is a question of whether you “knowingly” accept responsibility for defects which the dealer knows or should know about at time of sale but which are not effectively disclosed to you. Dealers should disclose material defects orally, and in writing, if they are attempting to get you to accept the vehicle “as is”.) Dealers may never sell an unsafe car.

“As Is”

If you waive the implied warranty and the vehicle breaks down, you will be responsible for all repairs! If the vehicle breaks down one minute or one mile from the dealership, you will still be responsible for all repairs! Buying a vehicle “as is” means you are assuming all responsibility for the repair and maintenance of the vehicle! As an informed buyer, you should consider whether negotiating away your implied warranty rights is really in your best interests. Buying a car “as is,” you will not have any warranty and little if any recourse against the dealer if the vehicle turns out to have substantial problems. You should at least obtain a substantial discount if you agree to purchase an “as is”.

Test Drive First

Before you buy a used vehicle you should thoroughly examine the vehicle and go for a test drive. A valuable and informative test drive should be more than a demonstration drive

where the salesperson explains the features of the vehicle.

A test drive should be a sampling of the vehicle's mechanical operating condition. This means that you should drive the vehicle as you would under every day driving conditions - freeway, in-city, hills etc.

- **You should check the operation of all electrical and comfort amenities (windows, lights and turn signals, defroster, heater and air conditioner), blow the horn, check the brakes by coming to a controlled emergency stop;**
- **Listen to the engine accelerate when entering on to the freeway and on hills.**
- **It is also important to do a complete visual inspection of the vehicle -**
- **Look under the vehicle for any signs of frame damage or collision repairs and any missing, loose or ill fitting body parts;**
- **Check the engine compartment and trunk for fresh paint that might reveal prior damage.**
- **You might consider having a friend follow behind the vehicle to see how the vehicle tracks.**

The more that you know about a vehicle before you buy, the greater the likelihood that you will have picked the best vehicle to meet your needs. **Before you buy is the time to test the vehicle!**

Check it Out With Your Mechanic

If the vehicle passes your test, take it for an inspection by a qualified mechanic of your choosing. The mechanic should check the brakes, electrical system, compression, transmission, and every other system on the vehicle, especially any item that caught your attention during the test drive. You should also consider an emissions control system inspection and test. Inspections may cost you some money, but if the mechanic discovers a major defect, you have avoided a big problem and saved a lot of money. When an inspection reveals only minor defects, you can use that information to negotiate either a lower purchase price or get the dealer to agree, in writing, to fix the items before purchase.

Buyer Beware — Get it in Writing!

A thorough test drive and mechanical inspection are the only ways to make sure the vehicle you are contemplating buying is in good mechanical condition. Verbal representations about the vehicle by a salesperson are not necessarily binding promises to help you with any problems that develop. If you choose to buy a vehicle “as is”, then get all material representations regarding quality, history or defects in writing to assist you in addressing the matter should a dispute arise later.

If you did not effectively or knowingly waive the implied warranty, or if the dealer made sufficient verbal promises about the vehicle’s condition and what will happen if any prob-

lems arise such that an express warranty is created, you may be able to get the dealer to fix the vehicle at reduced or no charge. But verbal promises are always difficult to prove and enforce. When a dealer's salesperson or manager refuses to put important promises or representations in writing, you should consider buying elsewhere. Further, since your signature on a document is very important, you must read, understand, and agree to everything before you sign, making certain that any verbal promises are included.

Know Your Warranties

If the dealer gives you a limited written warranty, the implied warranty cannot be waived, and you will have both the limited and implied warranties on the vehicle. If you purchase a service contract on a used vehicle from the same dealer within 90 days of purchase, the implied warranty of merchantability cannot be waived, and you will have the protection of both the service contract and the implied warranty of merchantability (RCW 48.96.045(4)). **The availability of the implied warranty or a service contract does not eliminate the need for a thorough test drive and an inspection by a qualified mechanic.**

When a vehicle is sold, the seller (this may be you if you have a 'trade-in') must accurately complete an odometer disclosure statement, which will be submitted with an application to issue the new certificate of title.

Vehicle Emission Inspection Law

In some areas of the state, **buyers** of used gasoline or diesel powered vehicles manufactured since 1968 must show that the vehicle has passed an emission inspection within the preceding six months in order to register the vehicle.

If you live in an inspection program area and you purchase a used vehicle from a private party it **must** have a valid emission inspection certificate to be registered under your name.

Dealers' Responsibilities

Dealers may not have had a vehicle's emissions system tested prior to a sale because a valid emission certificate is not necessary for the dealer to sell a vehicle. However, in emission testing areas dealers must provide a written notice to be signed by the buyer acknowledging that the vehicle may not meet emissions standards.

A dealer may include the emissions system in a written waiver of the implied warranty so they will not be responsible for repairs if the vehicle fails an emissions test at a later time.

Before buying

- Inspect the vehicle to make sure all the emission control devices are in place, looking for proper filters and hoses;
- Make certain that no tubes have been cut and capped off.

- Have the vehicle inspected prior to purchase and ask the repair shop to inspect the emission control system for you.
- Consider asking the dealer to provide a written promise that the vehicle will pass the inspection as a condition of the sale.

Check Emissions!

Don't buy someone else's emission control problems! The Washington Clean Air Act of 1991 has strengthened the vehicle emission inspection law by helping identify and repair vehicles causing the most pollution. **Before buying, make sure the vehicle will pass an emission inspection.**

For more information about the Vehicle Emission Inspection Program, contact the Washington State Department of Ecology at 1-800-453-4951.

Auto Leasing

As auto prices and financing costs increase, auto leases, rather than purchases, have been more actively advertised and marketed by the auto industry. Leasing a vehicle is not simply a 'different' way to buy a vehicle - leasing a vehicle means that you are renting the vehicle long-term with specific obligations, benefits and liabilities contained in the lease agreement. Lease terms are advertised because the low down payment and comparatively low monthly payments make new vehicles affordable but not necessarily the best or most cost effective option.

Before you lease a vehicle, you need to deter-

mine if leasing is right for you. Before going car shopping, you should talk to various lenders for an explanation of the differences, including the costs and benefits of both leasing and purchasing the vehicle you select.

Laws Regulating Leasing

Auto leases for personal, family or household purposes that extend for a minimum of four months must comply with Regulation M, the federal Consumer Leasing Act (15 U.S.C. 1667), and the state law, Chapter 63.10 of the Revised Code of Washington. These laws require specific disclosures in lease advertisements and contracts. Information that you should know includes the vehicle's capitalized cost, (the value of the vehicle that is set at the beginning of the lease) and the interest equivalent (also known as the money factor or lease financing rate). Washington law requires written disclosure of capitalized costs, accounting for the trade-in value, down payment and rebates on all consumer auto leases.

Lease Advertising

Know All Terms

Lease advertising usually promotes a low down payment and low monthly payments, but may not include all the terms and conditions that you need to know and understand before you start making decisions. Special lease terms including low down payments or the advertised very low monthly payments may only be available on one certain model; there may be other requirements including having to pay a large down payment (capitalized cost reduction) in order to get the low payments.

Read Carefully

You should read advertising carefully to determine whether there are restrictions on the offer. If a salesperson immediately tries to divert your attention to another plan or a different vehicle before you have had a chance to fully consider the advertised offer and vehicle, be cautious. If you are not clear on the terms in an advertisement, call the dealer to get your questions answered before going into the dealership.

Lease or Purchase

Some **lease** advertising can be easily confused with terms that advertise the **purchase** of a vehicle. Disclosure that it is an offer to **lease** may be inconspicuous or absent in the advertisement. The dealer must disclose the fact that the offer is for a lease, and whether you would have an option to purchase the vehicle at the end of the lease.

Costs of Leasing

The initial payment on a lease can be less than the down payment required to buy the same vehicle. When you lease a car, you are really paying rent for its use. However, costs during the time you have the car may turn out to be about the same under a lease as buying on credit.

Know the Difference

The basic difference between leasing and purchase is that at the end of the lease you will not own the vehicle unless you exercise the purchase option. To use the purchase option you will pay an additional amount at the end

of the lease which is called the residual value. The residual value can be a very substantial portion of the value of the vehicle.

By law, the residual value, or the method for calculating the amount, must be disclosed before you sign a lease. This residual value for the option to purchase at the end of the lease may be less or more than the total of all the previous lease payments; the residual value may be more or less than the vehicle is worth. If you do not want the vehicle you will not be required to buy it - you just turn it in according to the terms of the lease.

How to Compare

If you want to eventually own a vehicle, you can do a simple comparison by adding the total of all lease payments, including the residual value, and comparing it to the total cost of buying outright. That should help you determine which best suits your needs. This kind of comparison will not be a complete financial analysis but will give you a better idea of the choice of terms. (See Lease/Purchase Comparison worksheet).

Types of Leases

“Closed-end” Leases

These are the most common. With a closed-end lease you have no further obligations at the end of the lease except for excess mileage or wear-and-tear charges.

“Open Ended” Leases

The less common **open-ended** lease will obligate you to pay an “end-of-lease” payment if the “estimated residual value” of the vehicle is higher than the actual value of the vehicle at the end of the lease.

Purchase Option

The lease terms may give you the right to purchase the car at the end of the lease. If a lease includes the purchase option, the lessor must disclose what the purchase price (often the “residual value”) will be before the lease is signed. At the end of the lease, if you are considering purchasing the vehicle, check the market value of the car in used vehicle ads and in price guides such as the Kelley Blue Book and National Auto Dealer publications in order to compare the market value to the residual value in the lease contract. If the residual value is significantly lower you get a good deal. If it is higher you can decline to exercise your purchase option or try to negotiate a price that is as close as possible to the vehicle’s wholesale value.

Calculate your Costs

On open ended leases, the “estimated residual value” is the predicted estimate of what the vehicle’s value will be at the end of the lease as determined when the lease is signed. The lessor will appraise or sell the car at the end of the lease and if the appraised value or sale price exceeds the “estimated residual value” you owe nothing or you may be entitled to a refund of the excess. However, if the appraised value or sale price is less than the “estimated residual value” you will be required to pay the difference. The amount that you can be required to pay may be limited to three times the monthly lease payment if the lease is covered by U.S.C. § 1667 (b) (a), the Consumer Lease Act. If the total lease obligation is more than \$25,000, it is not covered.

Lease Conditions

The following lease conditions under limited circumstances may be suitable to your particular needs but generally require specific reasons to be advantageous to a consumer.

- * Leases for terms longer than four years.
- * Leases requiring substantial security deposits and up-front money for down payments.
- * Leases, which have additional charges for exceeding a low mileage allowance (12,000 miles a year or less).
- * Leases with significant end-of-lease “disposition” or “termination” fees.
- * Leases which require you to purchase extra products or services such as vehicle protection packages, credit life and disability insurance, service contracts, etc.

You should ask for a copy of the lease agreement to read before you sign it. All promises should be in writing. You should understand and agree to all terms before signing the contract. Once a contract is signed and all the pre-conditions are met the deal is binding.

There is no 3 day right of cancellation when buying or leasing a vehicle!

Payments

Up Front Costs

At the beginning of the lease you generally pay a security deposit and the first, and possibly last, monthly lease payment. You may also have to pay title and license fees (state use taxes are added to the monthly payment) and you may have to pay a “capitalized cost reduction,” which is an advance payment that resembles the down payment for a purchase contract.

Trade-ins

You may be able to trade a vehicle in or use a manufacturer rebate (if one is offered) to apply toward the payments due at the beginning of the lease which may reduce your monthly payment. If you owe more money on your trade-in than it is worth, ask how that will be reflected in the transaction.

You should independently determine the trade-in value **before** you begin negotiating a lease. It may not be to your advantage to rely solely on the dealership, which is trying to lease or sell a vehicle to you to determine your trade-in vehicle’s value. You should confirm that the agreed value of your trade-in is accurately accounted for in satisfying inception payments and/or reducing the capitalized cost (and thus your monthly payment). If you owe more for your trade in than it is worth to the dealer, they may try to get you to roll this “negative value into the new lease by adding it to the capital-

ized cost. This means that you will be paying for both cars but driving only one. You should require separate itemization of this amount so you are aware of its impact on the total deal.

Know Your Costs

You should insist on disclosure in writing of the capitalized cost (value of the vehicle upon which the lease is based) and the lease financing rate (also known as the interest equivalent or money factor) which are used to calculate the lease payment and the total cost of the lease.

You should also insist on a full accounting of rebates, down payment, and trade-in value.

Negotiate!

Capitalized cost and lease financing rate are negotiable unless there are eligibility restrictions (in which case you may want to consider a different lease source for different terms). Residual value is not generally negotiable.

Effective January 1, 1996, the law in Washington requires written disclosure of capitalized costs and accountability for trade-in value, down payment and rebates on all consumer auto leases.

Factory Rebates

Leased vehicles do qualify for applicable factory rebates unless the lease-financing rate has been lowered in exchange for the rebate due to a special promotion. Be sure to ask whether you will be receiving the rebate or a special lease-financing rate; insist on being shown exactly how the rebate or special financing rate will be applied to your lease.

Other Payments

In addition to monthly lease payments it is likely that you will be required to pay for non-warranty repairs and maintenance. These are common lease terms.

The lease must disclose who is responsible for repair and maintenance and whether the vehicle has a new car warranty. If the vehicle has a warranty, you will be required to have routine maintenance done in order to keep the warranty in effect.

Penalties for late payments and purchase option administrative fees (if any) must also be disclosed in the lease.

Early Termination

Early termination can be very expensive! You may be responsible for substantial penalties or all payments under the lease. **You will not be able to simply return the car and stop making payments.** Read the early termination clause thoroughly and make certain that you understand it. Before you sign a lease agreement consider carefully what it may mean to you in the future.

Termination Costs

If you have an “open-end lease” you may be responsible for an “end-of-lease payment”. This means that if the “estimated residual value” in the lease is higher than the appraised price (or re-sale price) you will owe an additional lump sum payment due either when you turn the vehicle in or buy it. You may receive a refund of part of your payments if the estimated residual value turns out to be lower than

the appraised value (see “Types of Leases”). There are additional costs that you may have to pay at the end of either ‘closed-end’ or ‘open-end’ leases:

Excess Mileage Charges - If you exceed the mileage limit on a closed-end lease, you must pay excess mileage charges according to the formula disclosed in your lease. Open-end leases typically do not have a mileage limit.

Default - If you fail to make a lease payment you may lose your security deposit and may be responsible for all other payments due under the lease. Additional costs for defaulting on payments can include the lessor’s legal fees and costs for repossessing the vehicle.

Excess Wear-and-Tear - The lease terms may include charges for wear or damage to the vehicle that exceeds “normal wear-and-tear.” Defining “normal” wear-and-tear is difficult and determining if excess wear-and-tear has occurred is highly subjective. You should try to get as much objective information as you can about what would be considered excess wear-and-tear and how much it might cost you.

Vehicle Preparation or Disposition Charge- You may be charged for the cost of preparing the car for re-sale (i.e. cleaning, detailing etc.).

Early Termination Charges- If you terminate the lease before the end of its term, under the lease you may be required to pay significant penalties including **all** lease payments still owing. You should read the “Early Termination” clause in the lease thoroughly.

All lease termination charges should be reflected in the lease agreement. You should ask for an itemization of lease charges, and challenge any charges not specifically authorized in the original lease agreement.

“Lease Options”

Verify that the options described in your lease agreement are actually on your vehicle. A problem can arise upon default, early termination or at the end of the lease term, because you may be liable for more money than if the vehicle’s options were described accurately. Therefore, you should **carefully check the financing documents to make sure the vehicle’s description matches the lease document.**

Beware of “Extras”

Be cautious about adding extras such as service contracts, credit/life insurance, etc. Consider carefully which of these extras are necessary and worth the cost.

Insurance

If the lessor provides insurance, you must be told the type, amount of coverage, and its cost to you, if any. If the lessor does not provide insurance, you must be told the type and amount of insurance you must obtain to comply with the requirements of the lease.

Consider “Gap” Insurance

You may want to consider purchasing “gap” insurance/waiver - it may even be included in the lease. Gap insurance/waivers cover the difference between the value of the car and what you owe on the lease in case the car is stolen or severely damaged. As with all insurance, comparison shop with several insurers, including your own insurance agent, to find the best rate and coverage. Comparison shop, your own insurance agent may have a com-

petitively priced GAP insurance policy or GAP “waiver” product.

Excise or Use Tax Exemption

Washington State imposes an excise tax (commonly known as “sales” tax) on purchases and an equivalent use tax on leases. Under state law, the sales/use tax on the stated value of a trade-in is deducted from the tax that would be assessed on the total price or monthly lease payment of the new vehicle. Use tax on a lease is paid one month at a time on the amount of the monthly lease payment. Washington State provides for the sales tax exemption for a trade-in to be credited on the lease to the use tax on monthly payments. The lease contract should indicate in which months the use tax is excluded and when the payment will increase when the sales tax exemption is exhausted.

Comparing Leases

Thoroughly review and question any lease versus purchase comparisons offered by a dealer. Confusing or misleading comparisons can include items like an unreasonably high interest rate on a purchase (to make the lease appear more attractive). You should make your own comparisons in order to feel confident that you are making the best choice that is available. A worksheet is included in this brochure which will assist you when comparing a lease or purchase offers. You may also want to consult with various lenders/lessors.

If the dealer or lessor refuses to give you the information to fill in the comparison worksheet or tells you the information is not available, you may want to consider doing busi-

ness somewhere else.

New vehicles (and certain used vehicles) which are leased and originally registered in this state are covered under the Washington State Motor Vehicle Lemon Law the same as a purchased vehicle. For more information about the Lemon Law (Chapter 19.86 RCW), call the Lemon Law Administration in the Attorney General's Office at 1 (800) 541-8898 (toll free).

For Further Information

The Attorney General's Office provides information and informal mediation to consumers and businesses. If you have a question or want assistance resolving a problem, please contact one of the Consumer Resource Centers listed below.

The Attorney General is prohibited from acting as a private attorney on an isolated complaint. If your complaint demands immediate legal action, you should consider private legal action in Small Claims Court (no attorney necessary) if your claim is under \$4,000. If your complaint involves more than \$4,000, you should seek a private attorney. You might also consider arbitration.

CONSUMER RESOURCE CENTERS OFFICE OF THE ATTORNEY GENERAL

Website <http://www.wa.gov/ago/consumer>
Email protect@atg.wa.gov

Statewide (800) 551-4636
TDD (800) 833-6384

Bellingham (360) 738-6185
Kennewick (509) 734-7140
Olympia (360) 407-3400
Seattle (206) 464-6684
Spokane (509) 456-3123
Tacoma (253) 593-2904
Vancouver (360) 759-2150

CONSUMERLINE has taped information on a number of consumer related issues. Residents in Washington can call **(800) 692-5082**. **For Further Information** the Attorney General's Office has a policy of providing equal access to its services. If you need to receive this information in an alternate format, please call (206) 464-6684. The hearing impaired may call 1-(800) 833-6384 utilizing the Washington Telecommunications Relay Service.

For more information about Washington State's Motor Vehicle Lemon Law call (800) 541-8898 or in Seattle, (206) 587-4240.

**Department of Licensing
Dealer Division**
(360) 664-6466

Department of Ecology
(800)-453-4951

National Highway Traffic Safety Administration
(800)-424-9393



**Buying and Leasing Cars
November 2001**

Published by the Consumer Protection Division of the Washington State Attorney General's Office.

Tips: Auto Leases

1. There is no three-day cooling off period or cancellation rights when leasing or purchasing a new or used vehicle. Once you sign the contract, you are obligated to make all payments.
2. If you intend to ultimately own the vehicle, consider purchasing on credit. It is often more expensive to lease then exercise the purchase option than to have purchased the vehicle outright.
3. Request disclosure of the capitalized cost and finance rate. Negotiate for the lowest capitalized cost and financing rate possible.
4. Obtain full accounting of all rebates, cash down, trade-in value, and all other payments applied to the lease.
5. You should not purchase extended warranties that duplicate the manufacturer's warranty or provide coverage beyond the lease term of the vehicle.
6. Based on clear, accurate and complete information, compare total cost to lease or purchase the vehicle.
7. Know the value of your trade-in vehicle by checking the wholesale and retail prices in the Kelly Blue Book or the National Auto Dealers Association (NADA) Used Car Pricing Guide (Pa-

cific Northwest edition), available at banks, credit unions or the library. Insist that your trade-in be accounted for in the lease transaction.

8. Be aware that early termination of a lease is an expensive proposition. You can't just turn the car in early and walk away.
9. Do not sign a lease agreement until you have read and understood all of its terms.
10. Do not allow the dealer to "pack" extra products and services such as extended service contracts and credit and disability life insurance into your lease payment without your agreement to do so.

Tips: Buying a Car

11. Remember that there is no three-day cooling-off period or cancellation right when purchasing a new or used vehicle. Once you sign the contract, you own the car and are obligated to make all payments.
12. Buying a car is a negotiated transaction. Actually it's several distinct negotiated transactions, including:
 1. buying a car;
 2. selling your trade-in;
 3. arranging for financing; and
 4. potentially buying other products

and services such as vehicle protection packages, extended service contracts, etc.

13. Know how much your trade-in is worth by checking the Kelly Blue Book or the National Auto Dealers Association (NADA) Used Car Pricing Guide (Pacific Northwest edition) available at your bank or local library.
14. Know how much you can afford to spend before you go shopping and compare financing terms between the dealers' bank and credit union.
15. Information on actual dealer cost is available through Consumer Union or The Car Book, available at most libraries. Used car wholesale and retail prices are available through the Kelley Blue Book and the NADA Used Car Pricing Guide. [www.kbb.com, www.edmunds.com, www.nada.com]
16. Take a thorough test drive. Operate the vehicle as you would in normal use.
17. Always have used vehicles thoroughly inspected by an independent mechanic of your choice prior to agreeing to purchase the vehicle.
18. Get all promises in writing. Read and understand every document you sign. Don't sign anything with blank spaces. Your signature binds you contractually to make all payments.

19. Check out the history of used vehicles by requesting the name and address of the prior owner from the dealer. Dealers are required to provide it to you if you are a prospective purchaser and the prior owner was a governmental or business entity.
20. Buying a car “as is” means you, not the dealer, are going to pay for the repairs.

COMPARISON WORKSHEET

Purchase

Cost of Vehicle and Extras

a. Purchase price of vehicle \$ _____

b. License and fees \$ _____

c. Options (such as extended service contract, credit insurance, paint sealant, fabric stain proofing, undercoating, etc.)

\$ _____

d. Sales tax \$ _____

e. Total \$ _____

Down Payment

f. Cash down \$ _____

g. Rebate (if available) \$ _____

h. Net trade-in value \$ _____

Terms of Financing

i. Term of loan in months _____

j. Monthly payment \$ _____

Total of All Payments to Own Vehicle at End of Loan

(f+g+h+ (i x j)) \$ _____

* Attention: Given the many variables which effect value in lease and purchase transactions and the wide range of circumstances consumers may be in, caution in the use of this or any other comparison format is necessary. It is meant to be of general benefit in roughly evaluating offers to purchase or lease motor vehicles. You should consult your own legal and financial advisors about specific questions effecting your personal situation.

Lease

Cost of Vehicle and Extras

- a. Capitalized cost of vehicle \$ _____
- b. License and fees \$ _____
- c. Options (such as extended service contract, credit insurance, paint, fabric stain proofing, under coating, etc.) \$ _____
- d. Upfront sales tax (#) \$ _____
- e. Total \$ _____

Down Payment

- f. Cash down \$ _____
- g. Rebate (if available) \$ _____
- h. Net trade-in value \$ _____
- i. Upfront sales tax (see d.) (#) \$ _____
- j. Security deposit (*) \$ _____
- k. First/last monthly payment \$ _____

Terms of Lease

- l. Term of lease in months _____
- m. Monthly payment
(including sales tax) \$ _____
- n. Residual purchase payment \$ _____
- o. Sales tax exemption on trade-in
\$ _____

Total of All Payments to Own Vehicle at End of Lease

$(f+g+h+i+j+(l \times m) + n)-(o)$ \$ _____

*If security deposit is refundable this amount should be deducted from the residual.

#The upfront sales tax is assessed only on the cash down and rebate amounts which are used to buy down the capitalized cost of the vehicle. Note: If you finance the residual payment, there will be additional financing costs to add to the total.

Caution: Some of the figures used in these calculations may not be stated in the lease or purchase contracts — insist that the dealer provide these figures to you so that you can make an accurate comparison. False, incomplete or misleading information will result in an inaccurate comparison.

Reminder: There is a “time” value to money. Money invested rather than used as a down payment or for higher monthly payments may be financially smarter. Also, the residual cost of the vehicle expressed in today’s dollars may be a bargain at the end of a lease term if inflation pushes the prices higher and the value of the dollar lower or when the vehicle’s value exceeds the residual value.

[illegible]

[illegible]

Notes:

This image shows a full page of blank, lined paper. It features approximately 20 evenly spaced horizontal grey lines across its entire width, providing a template for writing or drawing. The margins are consistent on all sides.